



New director onboarding

KPMG Board Leadership Center

For any new director, a learning curve comes with the territory. Just how steep that learning curve is—and how quickly a new director is able to contribute meaningfully to the work of the board and its committees—can hinge directly on the quality of the onboarding process.

Understanding the business—its operations, strategies, risks, competitive landscape, and management team—as well as the responsibilities and culture of the board and its committees, takes time. But a robust onboarding process—including essential information and briefing materials, quality discussions with key people, and a “road map” for getting up to speed—can greatly accelerate a new director’s integration and contribution to the board’s work.

Directors joining their first board face the added challenge of understanding the unique role of a director—and how it differs from that of management—in helping to oversee and guide the business forward.

Formal orientation programs for new directors are fairly common, but these programs—without more—may be inadequate to get the new director up to speed and able to contribute to the work of the board early on. Moreover, the onboarding needs for new directors will vary from director to director depending on a number of factors, including the director’s background and experience, and the role the director is expected to play on the board and board committees. As a result, a new director should be prepared to take responsibility for his/her onboarding plan—working with management and others to determine how best to get up to speed and build a strong foundation for informed oversight.

In the following pages, we suggest a number of elements for new directors to consider as part of an overall onboarding framework, including:

- Suggested reading
- An initial orientation session
- Follow-up one-on-one meetings with key people in the organization to develop a deeper understanding of the business, its key governance processes, and its leaders.

Ultimately, a robust onboarding process should help position a new director to engage in a healthy, ongoing dialogue with management, fellow directors, and others with insights into the company and the business environment in which it operates.

Suggested background reading materials

A new director will want to review a number of background materials early on, including:

Information about the company

- SEC filings (Form 10-K and 10-Q, proxy statement, Form 8-K)
- Earnings releases and materials used for analysts’ calls for the past year or two (including a transcript of the question-and-answer period as well as management’s prepared remarks)

- The most recent materials provided to the board and the committees to which you will be assigned, as well as minutes for the past few meetings for the board and all committees
- The company’s strategic plan, as well as information prepared by management or third parties regarding customer needs, the existing competitive landscape and emerging competitors
- Third-party assessments including analyst reports, vulnerability studies, and any communication from activist or institutional investors regarding the company or the board
- The company’s top-level organization chart as well as bios of the company’s leadership team and the company’s succession plans for the CEO and other key executives
- Recent reports and/or survey results assessing the company’s reputation, culture, and the strength of its brand(s); and, if not otherwise included, presentations made to the board during the past year on risk, strategy, succession, and crisis management
- Reports on the company’s compliance program as well as any government investigations or significant litigation

Information about the board and its committees

- By-laws and Corporate Governance Guidelines
- Committee charters
- A description of the company’s directors and officers liability insurance
- Policies applicable to directors such as the company’s Code of Conduct, conflict of interest policies, insider trading policies, and others as applicable.

Initial orientation

Most companies provide an initial orientation session for a new director. While the length and formality of the orientation will vary from company to company, it should include an overview of:

- The business—including its products and services, customers, and competitors
- The financial status of the overall company and its key business units
- The company’s near- and long-term strategy
- The company’s processes for identifying and managing risk as well as the key risks facing the company
- The company’s culture.

Who participates in the initial orientation session will vary depending on how the company’s orientation process is structured—e.g., whether the initial orientation is viewed

as the first step in a more lengthy process, or whether it is viewed as a more comprehensive orientation session. Depending on the company’s approach, only a few executives might participate in the initial orientation session—e.g., the CEO, CFO, and General Counsel—or a number of others might participate as well, including perhaps each member of the C-suite as well as key subject matter experts.

Developing a deeper understanding of the company and the board

Regardless of whether it is part of a formal orientation process, a new director will want to have one-on-one discussions with a number of key leaders of the business to gain a better understanding of the company—the culture, strategy, key risks, strengths, areas of opportunity and concern, etc.—and to get to know the leaders outside of the formality of the boardroom.

Initially, it may be helpful to get the “lay of the land” by meeting separately with the nonexecutive chair/lead director, if there is one. What are the hot-button issues facing the company? What issues have management and the board been spending the most time on? What governance processes work well or not so well? What is the culture of the company and of the board?

The General Counsel can provide information about the board from a legal and process point of view, including the committee structure, the role of each committee, and how the committees coordinate and communicate about oversight activities. The General Counsel can also provide advice on the responsibilities of a director and director independence requirements as well as an update on significant litigation, investigations, or other compliance-related matters.

In the weeks and months following the initial orientation session, a new board member may also want to meet one-on-one with other leaders in the business—CEO; CFO; CRO (chief risk officer or equivalent); CIO; CISO; leaders of sales, operations, marketing, and HR—to get their views on a number of key company-wide issues, including:

- The company’s strategic direction and key risks to the strategy
- Effectiveness of risk management processes and the overall control environment
- Tone and culture of the organization including ethics/legal/regulatory compliance as well as whether the organization is future-focused, innovative, open to reinvention as necessary
- Strengths and weaknesses of the management team and the board
- The company’s acquisition strategy including any potential acquisitions under consideration.

The business leaders will also have important insights to offer on issues that are specific to their areas of focus and responsibility. In the Appendix, we have identified possible issues to explore.

Board members can also get a good view of the company by going beyond the C-suite: Visit the factories, stores, etc., as applicable to your company.

No “one size fits all”

Onboarding is not a “one size fits all” process, and may vary considerably depending on the company and the background, experience, and areas of interest of a new director. While management obviously plays a key role in shaping the onboarding program, every new director needs to take charge of his or her own onboarding in order to make sure that it is properly tailored and focused.

Ultimately, a good onboarding process should provide information about the company that will enable a director to add value based on his or her own unique experience and perspective. And education should never end. Continually seeking out relevant information (from internal and external sources) and a deeper understanding of the business, the competitive landscape, and emerging opportunities and threats, will be essential to providing effective oversight and bringing insight and foresight to the boardroom dialogue.

Appendix: Other potential discussion topics

Lead director/nonexecutive chairman

- How the board interacts with the CEO and other officers, and how important decisions are made (formal and informal processes)
- Toughest issues facing the board/committees
- Board culture—including openness and candor of communications and debate among management and the board, and among directors
- Committee chairs
- Expectations and role of the committee members
- Current composition of the committee (skills, backgrounds, experience, and expertise)
- Most difficult/challenging issues facing the committee
- Scope of the committee’s oversight responsibilities
- Strength of the committee’s oversight processes
- Results of the committee’s last two self-assessments

Chief marketing/sales/strategy officers

- How the company defines its target customers and what methods it uses to understand and develop products that address the customers’ needs
- The company’s approach to innovation
- How the company monitors and leverages evolving competitive, social, economic, and political trends
- The strategic planning process, the frequency with which the strategy is reviewed, the process by which external trends are assessed with respect to their implications for company strategy, and the measures and metrics used to track progress

Chief operations officer

- How the company leverages its supply chain for strategic advantage
- The company’s business continuity and crisis management plans
- The company’s philosophy with respect to social responsibility issues, in terms of both substantive policies and degree of transparency

Chief human resources officer

- The company’s compensation philosophy, overview of compensation programs, and linkage between compensation incentives and both long-term and short-term strategic goals.
- How the company attracts, motivates, and retains top talent and the diverse mix of skills, experiences, and backgrounds needed to design and implement company strategy

CFO and chief accounting officer

- Company’s earnings trends
- Disclosure philosophy, including level of transparency, approach to earnings guidance and use of non-GAAP metrics
- Adequacy of control environment, including fraud controls, pressures, and vulnerabilities
- Capital allocation processes, and degree of alignment between short-term and long-term objectives

CIO and CISO

- How the company leverages technology for strategic advantage
- How the company manages data security, compliance, and other “defensive” IT risks
- Nature and frequency of CIO/CISO communications with board, audit and/or risk committee
- Company’s programs and resources to identify, protect, and respond to cybersecurity threats

CRO (or equivalent role)

- CRO’s view of the company’s risk awareness, “appetite,” and “tolerance”
- How the CRO views the tone and culture of senior management
- How the company’s risks compare to others in the industry
- Strengths and weaknesses in the management’s and board’s risk oversight processes
- The degree to which the risk organization has a seat at the table and input into significant business decisions

CEO

- Any significant issues, opportunities, or concerns identified during your discussions with other business leaders
- What does the CEO view as the top opportunities and challenges for the company?
- How can the skills and background of the new board member—and board members, generally—be best leveraged for the benefit of the board and the company?

Additional resources and reading:

KPMG Board Leadership Center
www.kpmg.com/BLC

Report of the NACD Blue Ribbon Commission (BRC) on Strategy Development, and Report of the NACD BRC on The Board and Long-Term Value Creation

Governance Challenges – An annual publication of the National Association of Corporate Directors and its Strategic Content Partners

About the KPMG Board Leadership Center

The KPMG Board Leadership Center champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including KPMG’s Audit Committee Institute and Private Markets Group, the WomenCorporateDirectors Foundation, and more—the Center engages with directors and business leaders to help articulate their challenges and promote continuous improvement. Drawing on insights from KPMG professionals and governance experts worldwide, the Center delivers actionable thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more at www.kpmg.com/BLC.

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